

## **Chapter II**

# **ORGANIZATION AND ADMINISTRATION OF THE CENTRAL BANK**

### **Article 05. Organization of the Central Bank**

1. The Central Bank shall have a Governing Board, a management consisting of a Governor and three Vice Governors, and a staff.
2. The Central Bank shall have a head office and main units.

### **Article 06. Functions of the Governing Board**

1. The Governing Board shall be charged with the supreme direction and supervision of the policies, administration and operations of the Central Bank.
2. In carrying out its functions, the Governing Board must periodically assess the monetary and economic situation. To that end, the management of the Central Bank shall report, not less than once every month, to the Governing Board on the administration and operations of the Central Bank, on the conduct of its monetary and regulatory policies, on the soundness of the financial system, and on the state of the money, capital and foreign exchange markets, including all events and conditions that have or must be expected to have a significant effect on the administration or operations of the Central Bank or on the conduct of its policies or on the financial system or on the before mentioned markets.

### **Article 07. Powers of the Governing Board**

The Governing Board shall have the following powers:

- a. to determine the monetary policy, in accordance with paragraph a of Article 2, section 3, of this Law;
- b. to adopt all regulations, guidelines and instructions of general application that are to be issued by the Central Bank;
- c. to approve all reports and recommendations that the Central Bank is to make to the Parliamentary Assembly or the Presidency of Bosnia and Herzegovina;
- d. to decide on the Central Bank's participation in international organizations;
- e. to determine the face value and size of banknotes and coins in accordance to Article 42 of this Law, to decide their production and safekeeping, and the conditions of any currency recall. The design of banknotes and coins shall be decided by the Governing Board with the approval of the Presidency of Bosnia and Herzegovina.
- f. to adopt the By-Laws of the Central Bank and to determine the policies applicable to the administration and operations of the Central Bank;
- g. to determine the organization of the Central Bank;
- h. to approve the appointment of the Vice Governors and the Comptroller General of the Central Bank and his Deputies, and, after the first six years of operation of the Central Bank, to elect from among its members a Governor of the Central Bank;
- i. to establish and close main units and other branch offices and agencies of the Central Bank;
- j. to determine the budget of the Central Bank and in general the terms and conditions of employment of Central Bank employees, agents and correspondents;
- k. to determine the accounting practices and standards of the Central Bank, head office, main units, and other branches, and to approve the annual reports and financial statements of the Central Bank;
- l. to establish special reserves on the books of the Central Bank with the approval of the Presidency of Bosnia and Herzegovina;
- m. to determine the categories of assets that shall be suitable for investment of the Central Bank's financial resources;

n. to decide any other issue within the competence of the Governing Board as defined by this law.

#### **Article 08. Constitution of the Governing Board**

1. During the first six years of operation of the Central Bank, the Governing Board shall be composed of a Governor appointed by the International Monetary Fund, after consultation with the Presidency of Bosnia and Herzegovina, and three members appointed by the Presidency of Bosnia and Herzegovina. The Governor appointed by the International Monetary Fund shall not be a citizen of Bosnia and Herzegovina or any neighboring state. The three members appointed by the Presidency of Bosnia and Herzegovina shall be one Bosniac and one Croat from the Federation of Bosnia and Herzegovina and one Serb from the Republika Srpska.

2. After the first six years of operation of the Central Bank:

a. the Governing Board of the Central Bank shall be composed of five members appointed by the Presidency of Bosnia and Herzegovina; and

b. upon the appointment of its members, each Governing Board shall appoint, from among its members, a Governor for a term of six years; no Governor shall be replaced during his term, other than upon his removal from the Governing Board in accordance with Article 11.

3. Except for the Governor to be appointed by the International Monetary Fund, candidates for Governing Board membership shall be citizens of Bosnia and Herzegovina; they must be persons of recognized integrity and professional experience in monetary and banking matters, to whom no ground for removal under Article 11 applies.

4. The term of each member of the Governing Board shall be six years. Members of the Governing Boards shall be eligible for reappointment, unless a ground for removal under Article 11 would apply to them.

#### **Article 09. Compensation of members of the Governing Board**

The members of the Governing Board shall receive from the Central Bank a compensation determined by the Governor in accordance with generally accepted standards and commensurate to their responsibility.

#### **Article 10. Ineligibility to serve on the Governing Board**

No person shall serve on the Governing Board while he is a member of the Presidency, the Parliamentary Assembly, the State Council, or the Council of Ministers, of Bosnia and Herzegovina, the Federation of Bosnia and Herzegovina, or the Republika Srpska.

#### **Article 11. Disqualification and removal of members of the Governing Board, and their immunities.**

1. Any member of the Governing Board shall be removed from the Board by the Presidency of Bosnia and Herzegovina, if he:

a. violates the currency board rule established in this law;

b. becomes ineligible to serve on the Governing Board pursuant to Article 10;

c. has been convicted of an offense for which he was or could have been sentenced to imprisonment without the option of a fine;

d. has become insolvent or has been declared bankrupt and has not been rehabilitated; or

e. has, on grounds of personal misconduct, been disqualified or suspended by a competent authority from practicing a profession.

2. Any member of the Governing Board may be removed from the Board by the Presidency of Bosnia and Herzegovina upon a finding and recommendation by a majority of the members of the Governing Board that:

- a. the person recommended for removal from office is unable to perform the functions of such office because of an infirmity of body or mind that has lasted for more than one year;
  - b. the person recommended for removal from office has attended less than half of the meetings of the Governing Board held during the most recent period of twelve months; or
  - c. the person recommended for removal from office has engaged in significant violations of the law or serious misconduct in the office, substantially prejudicing the interests of the Central Bank.
3. No member of the Governing Board shall be removed from the Board on another ground.
4. The members of the Governing Board of the Central Bank shall not be criminally prosecuted, arrested or detained, without the consent of the Parliamentary Assembly. This immunity does not apply to the prosecution, arrest or detention of a person who is caught in the act of committing a serious offense.

#### **Article 12. Resignation of Members of the Governing Board**

Members of the Governing Board may resign on giving not less than three months' notice in writing to the Presidency of Bosnia and Herzegovina.

#### **Article 13. Vacancy on the Governing Board**

Any vacancy on the Governing Board shall be filled by the appointment of a new member of the Governing Board in accordance with Article 8 to serve the remaining period of the term of the member replaced.

#### **Article 14. Meetings of the Governing Board**

1. The meetings of the Governing Board shall be chaired by the Governor or, in his absence, by one other member of the Governing Board. During the first six years of operation of the Central Bank, the Governing Board with the approval of the Governor may deliberate in his absence and make decisions, provided that the three other members or their appointed representatives are present, and that unanimous decisions are reached.
2. The Governing Board shall meet as often as the business of the Central Bank may require but not less frequently than once each calendar month.
3. Normally, meetings of the Governing Board are convened by the Governor. Governing Board meetings may also be convened at the written request of any two members of the Governing Board or, in the event of an emergency, any member of the Governing Board.
4. Governing Board meetings shall be convened by effectively communicating the time, venue and agenda of the meeting to all members of the Governing Board at least ten working days before the date set for the meeting, except that, in the event of an emergency, Governing Board meetings may be so convened at shorter notice. If a Board member, with the exception of the Governor, cannot attend a Board meeting, he must appoint a representative who will be able to attend and who is not another Board member. Any such representative must meet the requirements of Article 8, section 3, and shall be subject to the provisions of Articles 10 and 11 of this Law.
5. Each member of the Governing Board shall have one vote. However, during the first six years of operation of the Central Bank the two members appointed from the Federation of Bosnia and Herzegovina shall share one vote, that is, each will cast half ( $\frac{1}{2}$ ) a vote.
6. A quorum at any meeting of the Governing Board shall consist of: (i) three-fourths of the membership of the Governing Board or of their appointed representatives during the first six years of operation of the Central Bank; and (ii) three-fifths of the membership of the Governing Board or of their appointed representatives thereafter.
7. Except as otherwise provided by this Law, decisions of the Governing Board shall, following a discussion of the matter, be adopted by a simple majority of the votes cast by the

members of the Governing Board or their appointed representatives present. Only members of the Governing Board or their appointed representatives present in person shall have the right to vote; provided, however, that the By-Laws of the Central Bank may permit Governing Board meetings and voting by teleconferencing or in exceptional circumstances by tested telex or other tested electronic means of communication. In the event of a tied vote, the Governor may cast the tie-breaking vote.

8. All acts done by a person acting in good faith as member of the Governing Board shall be valid notwithstanding that some defect in his appointment, eligibility, or qualification be afterwards discovered.

#### **Article 15. Proceedings of Governing Board meetings**

1. The proceedings of the meetings of the Governing Board shall be confidential. The Governing Board may decide to make the outcome of its deliberations public.
2. There shall be minutes of each Governing Board meeting signed by the person chairing the meeting, and by the Secretary of the Governing Board.
3. The Secretary of the Governing Board shall be appointed by the Governor from among the senior staff of the Central Bank; he shall not be a member of the Governing Board.

#### **Article 16. Disclosure by members of the Governing Board**

1. Members of the Governing Board shall periodically disclose to the Governing Board in full their significant interests which they or members of their household may directly or indirectly have; such disclosures shall comply with guidelines adopted by the Governing Board.
2. Members of the Governing Board shall abide to the same disclosure guidelines concerning their significant commercial interests as all other senior members of the common institutions of Bosnia and Herzegovina.
3. Whenever any matter related to such interest comes up for Governing Board discussion, the member of the Governing Board concerned shall disclose his interest at the beginning of the discussion and shall not participate in the discussion and decision on such matter; however, his presence shall be counted for the purpose of constituting a quorum.

#### **Article 17. Composition of the management of the Central Bank**

1. The management of the Central Bank shall consist of the Governor and such Vice Governors as the Governor shall appoint with the approval of the Governing Board.
2. Members of the Governing Board may be appointed Vice Governors only by unanimous approval by the Governing Board.
3. The Governor may, with the approval of the Governing Board, assign temporary tasks to other members of the Governing Board. He may also give long-term assignments to members of the Governing Board if such assignments are approved unanimously by the Governing Board.

#### **Article 18. Powers of the management of the Central Bank**

1. The Governor shall serve as the chief executive officer of the Central Bank in charge of the day-to-day business of the Central Bank. If the Governor is absent or otherwise unable to act, a Vice Governor selected by him with the approval of the Governing Board, shall act as chief executive officer of the Central Bank.
2. The Governor shall be responsible to the Governing Board for the execution of its decisions and for the direction and control of the administration and operations of the Central Bank.
3. All powers that are not specifically reserved for the Governing Board shall be vested in the Governor. Within the limitations of his powers, the Governor shall have the authority to take all actions required or deemed advisable by him for the administration or operations of the

Central Bank, including entering into contractual commitments on behalf of the Central Bank, appointing the employees, agents and correspondents of the Central Bank, and representing the Central Bank in legal proceedings. The Governor may, with the approval of the Governing Board, delegate some or all of his powers to other employees of the Central Bank.

**Article 19. Subsequent service**

1. Without the prior written approval of the Governing Board of the Central Bank, the Governor, other members of the Governing Board, and the Vice Governors shall not serve another financial institution during their mandate at the Central Bank.
2. Without the prior written approval of the Governing Board of the Central Bank, former Governors, other members of the Governing Board, and Vice Governors shall not serve another financial institution during a period of six months immediately following their departure from the Central Bank.

**Article 20. Comptroller General of the Central Bank**

1. A Comptroller General of the Central Bank shall be appointed by the Governor with the approval of the Governing Board, for a term of three years. The Comptroller General shall be eligible for reappointment, unless one of the grounds for removal specified in Article 11 could be applied to him.
2. The Comptroller General may resign from office on giving not less than three months' notice to the Governor. The Comptroller General shall be removed from office only by a decision of the Governing Board that is supported by one or more of the grounds of removal specified in Article 11.
3. The Comptroller General has the duty:
  - a. to establish and maintain appropriate risk management procedures and instruments for the Central Bank and to supervise their use;
  - b. to perform periodic audits of the administration and operations of the Central Bank, in order to ensure strict observance of the laws and regulations that apply to the Central Bank;
  - c. to audit, and to submit to the Governing Board reports and recommendations on, the accounts and records as well as the budgetary and accounting procedures and controls of the Central Bank; and
  - d. to audit the periodic financial statements and related documents of the Central Bank and, if these have been properly prepared, to issue certifications to that effect.
4. The Governing Board may appoint Deputy Comptrollers to assist the Comptroller General in the discharge of his duties.

**Article 21. Staff of the Central Bank**

1. During their employment by the Central Bank, staff of the Central Bank shall not be employed by, or receive credit from, any person other than the Central Bank, unless the Central Bank shall otherwise decide.
2. The Governing Board shall adopt a Central Bank regulation covering the conditions of employment of the staff at the Central Bank and their rights and duties.

**Article 22. Central Bank employees, agents and correspondents**

1. The Governor shall appoint and terminate the appointment of the employees, agents and correspondents of the Central Bank, within the limits and in accordance with the general terms and conditions of employment prescribed by the Governing Board.
2. No salary, fee, wage, or other remuneration or allowance paid by the Central Bank shall be linked to the net income, net profits or other revenues of the Central Bank.

**Article 23. Conflicts of interest**

1. While holding office, the Governor and Vice Governors shall devote the whole of their professional services to the Central Bank, and none of them shall occupy any other office or employment, whether remunerated or not, except with the approval of the Governing Board of the Central Bank.

2. No executive officer, management or staff of the Central Bank shall simultaneously have other employment, whether gainful or not, without the prior written approval of the Governing Board of the Central Bank.

3. No member of the Governing Board, management or staff of the Central Bank shall accept any gift or credit for himself, or on behalf of any person with whom he has family, business, or financial connections, if the acceptance thereof would result, or give the appearance of resulting, in a diminishment of his impartial devotion to his duties to the Central Bank.

**Article 24. Secrecy**

No person who serves or has served as a member of the Governing Board, management or staff or as an auditor, agent or correspondent of the Central Bank shall, in a manner unauthorized by law: (i) permit access to, disclose or publicize nonpublic material information which he has obtained in the performance of his Central Bank duties; or (ii) use such information, or allow such information to be used, for personal gain.